

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEQ-01 CIAE-00 SOE-02  
COME-00 DODE-00 EB-08 EPA-01 INR-10 IO-13 L-03  
NSF-01 NSC-05 NSAE-00 PM-05 USIA-06 OES-07 SS-15  
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FM AMCONSUL VANCOUVER  
TO SECSTATE WASHDC PRIORITY 4028  
INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L VANCOUVER 00204

E.O. 11652: GDS  
TAGS: SENV, CA, US  
SUBJECT: CABIN CREEK COAL DEVELOPMENT

REF: STATE 34644

FOR EUR/CAN

1. B.C. PROVINCIAL GOVERNMENT OFFICIALS CONFIRM THAT RIO ALGOM HAS APPLIED FOR A WATER LICENSE FOR THE DIVERSION OF HOWELL CREEK. ACCORDING TO JON O'RIORDAN, CHAIRMAN, COAL GUIDELINES COMMITTEE, RIO ALGOM HAS NOW ENTERED STAGE II OF THE COAL GUIDELINES PROCEDURE. THIS IS THE STAGE WHERE SPECIFIC DESIGNS TO AMELIORATE NEGATIVE ENVIRONMENTAL IMPACTS OF PROJECTS ARE DISCUSSED WITH GOVERNMENT AGENCIES. O'RIORDAN TOLD CONGEN OFFICER THE RIO ALGOM APPLICATION WAS A NECESSARY PRELIMINARY TO FOCUS B.C. GOVERNMENT AGENCIES ON THE WATER DIVERSION PROBLEM.

2. O'RIORDAN STATED THAT IT TAKES FROM 6 TO 24 MONTHS TO PROCESS A WATER LICENSE APPLICATION. THE PRESENT APPLICATION FOR HOWELL CREEK DIVERSION IS BASED ON A CONFIDENTIAL

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SINGLE DESIGN WHICH O'RIORDAN CONSIDERS INADEQUATE. THUS, THE COAL GUIDELINES COMMITTEE WILL BE ASKING RIO ALGOM TO CONSIDER ALTERNATIVE DESIGNS. O'RIORDAN SAID SUBMISSION BY U.S. INTERESTED PARTIES (SUCH AS MONTANA) WOULD BE INVITED LATER IN THE YEAR AFTER THE COMMITTEE AND THE COMPANY HAVE HAD AN OPPORTUNITY TO DEVELOP AND ANALYZE FULLY VARIOUS DIVERSION SCHEMES. HE SAID HE

WOULD NOT WANT RIO ALGOM TO INVITE PUBLIC COMMENT ON ITS PRESENTLY PROPOSED DESIGN AT THIS TIME BECAUSE OF ITS INADEQUACY. THE COMPTROLLER OF WATER RIGHTS IS NOT OBLIGED TO HOLD PUBLIC HEARINGS ON THE APPLICATION, BUT USUALLY HOLDS WHAT O'RIORDAN DESCRIBES AS "PUBLIC MEETINGS" AFTER SUFFICIENT DATA HAVE BEEN GATHERED UNDER THE STAGE II PROCEDURE OF THE GUIDELINES. O'RIORDAN STATED THAT QUARTERLY PROGRESS REPORTS ON THE PROJECT ARE BEING SUBMITTED TO EXTAFF, THE LAST ONE IN DECEMBER AND THE NEXT ONE DUE IN MARCH OR APRIL.

3. SOURCES IN THE MINISTRY OF ECONOMIC DEVELOPMENT AND THE MINISTRY OF MINES AND PETROLEUM RESOURCES DISMISS THE POSSIBILITY THAT DEVELOPMENT OF THE COAL PROJECT IS IMMINENT. ACCORDING TO THE MINISTRY OF ECONOMIC DEVELOPMENT, THE BREAK-EVEN PRICE FOR CABIN CREEK COAL WOULD BE ABOUT \$62.00/TON AT 3 MILLION TONS/ANNUUM. THE BEST PRICE THAT COULD BE EXPECTED IN THE PRESENT MARKET IS AROUND DOL. 52.00/TON. MINISTRY OFFICIALS SPECULATE THAT THE APPLICATION FOR WATER LICENSE IS AN ATTEMPT TO TEST RESISTANCE TO THE PROJECT AND TO CLEAR AWAY AS MANY OBSTACLES TO DEVELOPMENT AS POSSIBLE SO THAT IF A MARKET MATERIALIZES IT CAN BE ACTED UPON QUICKLY. MINISTRY OF ECONOMIC DEVELOPMENT PROJECTS DEMAND FOR B.C. COKING COAL TO GROW BY ABOUT 7 MILLION TONS BY 1985. OF THIS AMOUNT, THE MINISTRY EXPECTS THAT FOUR MILLION

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TONS WOULD BE SUPPLIED BY EXPANSION OF EXISTING MINES IN B.C. AND ALBERTA AND THAT COMPETITION FOR REMAINING THREE MILLION TONS WOULD BE FIERCE, WITH KAISER'S HOSMER-WHEELER DEPOSIT IN SOUTHEAST B.C. AND THE QUINTETTE AND SUKUNKA DEPOSITS IN NORTHEAST B.C. ALL IN A STRONGER COMPETITIVE POSITION THAN RIO ALGOM'S CABIN CREEK PROJECT.

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COAL, WATER DIVERSION, MINING INDUSTRY, DEVELOPMENT PROGRAMS  
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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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